

EX PARTE OR LATE FILED

Whitney Hatch  
Vice President  
Regulatory Affairs



GTE Service Corporation

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July 25, 1997

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JUL 25 1997

Mr. William F. Caton, Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

EX PARTE: Interexchange, Interstate Marketplace (CC Docket No. 96-<sup>61</sup>91)

Dear Mr. Caton:

Today the attached letter was delivered to Commissioner Chong and to Kathy Franco. Please incorporate a copy into the record of the above-captioned proceeding. In accordance with Section 1.1206(b)(1) of the Commission's Rules, two copies of this notice are being filed with the Secretary of the FCC.

Please call me if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to be "Whitney Hatch", written over a horizontal line.

Whitney Hatch

Attachment

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Whitney Hatch  
Vice President  
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**GTE Service Corporation**

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**FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY**

July 25, 1997  
The Honorable Rachelle B. Chong  
Commissioner  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

Dear Commissioner Chong:

Attached is a filing from PCI Communications in response to Micronesian Telecommunications Corporation's (MTC) implementation of the FCC's rate integration decision, on which a reconsideration order has not yet been issued. We believe PCI's objection is a direct result of MTC integrating rates with all GTE domestic U.S. affiliates. Their filing illustrates the concerns we have expressed in our reconsideration petition and in our recent court filings.

Please let me know if you need additional information about this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Whitney Hatch", with a long horizontal flourish extending to the right.

Whitney Hatch

c: K. Franco  
FCC Secretary

BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

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JUL 25 1997

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of )  
 )  
Micronesian Telecommunications ) Transmittal No. 133  
Corporation )  
 )  
Revisions to Tariff F.C.C. Nos. 1 and 4 )

PETITION OF PCI COMMUNICATIONS, INC. TO REJECT  
OR, IN THE ALTERNATIVE, TO SUSPEND AND INVESTIGATE

PCI Communications, Inc. ("PCI"), by its attorney and pursuant to Section 1.773 of the Commission's rules, 47 C.F.R. § 1.773, hereby petitions the Commission to reject or, in the alternative, to suspend and investigate, the revisions proposed by Micronesian Telecommunications Corporation ("MTC") to its Tariff F.C.C. Nos. 1 and 4 pursuant to Transmittal No. 133, with an effective date of August 1, 1997. Filed under protest, the rates proposed by MTC through this transmittal do not, as MTC alleges, comply with the requirements of Section 254(g) of the Communications Act of 1934, as amended, governing rate integration, and are both unreasonable and predatory.

STATEMENT OF INTEREST

PCI is a common carrier organized under the laws of the Territory of Guam. Pursuant to authority granted by the Commission under Section 214 of the Act, and through tariffs filed with the Commission, PCI provides resold domestic Interstate and

international telecommunications services between the United States and various overseas points. A significant portion of PCI's traffic travels between points in Guam and the Commonwealth of the Northern Mariana Islands ("CNMI"). Thus, PCI is not only a competitor of MTC on the latter route, but as a resale carrier, a potential purchaser of services offered by MTC through its Tariff F.C.C. No. 4.

### BACKGROUND

In its Report and Order in CC Docket No. 96-61, Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended, 11 FCC Rcd 9564 (1996) ("Rate Integration Order"), the Commission established rules to implement Section 254(g) of the Act, as amended, to require interexchange carriers to integrate and average the rates they charge for service. Specifically, Section 254(g) of the Act requires the Commission to

... adopt rules to require that the rates charged by providers of interexchange telecommunications services to subscribers in rural and high cost areas shall be no higher than the rates charged by each such provider to its subscribers in urban areas. Such rules shall also require that a provider of interstate interexchange services shall provide such services to its subscribers in each State at rates no higher than the rates charged to its subscribers in any other State.

In its Report and Order, the Commission adopted new rule section 64.1801 to implement this directive, specifically applying it to interexchange services provided to U.S. possessions and territories, including Guam, the CNMI and American Samoa. 11 FCC Rcd at 9596, 9605. With respect to interexchange services provided between any U.S. state, territory or possession and these insular points, the Commission set August 1, 1997 as the deadline for compliance with the new rule, and directed carriers serving Guam and

the CNMI (including GTE, MTC's parent corporation) to submit preliminary and final plans to achieve rate integration by that deadline. Id. at 9605.

In Transmittal No. 133, MTC states that its proposed rates for service from the CNMI are "filed under protest" but are otherwise "in compliance with the requirements of the Communications Act of 1934, as amended" and specifically "in conformance with" the Rate Integration Order. Transmittal Letter, p. 1. The latter assertions, however, are plainly untrue, as a cursory review of MTC's filing illustrates.

As a threshold matter, for example, it is clear that MTC's proposed rates are predatory, unreasonable and designed to drive competition from the marketplace. MTC proposes an off-peak per minute rate of \$0.14 for calls between the CNMI and Guam. Yet MTC's call origination rate is \$0.12, as reflected in its local exchange tariff, and the call termination rate of Guam Telephone Authority is between \$0.06-0.065. The combined charges for origination and termination -- \$0.18-0.185 -- by themselves exceed MTC's proposed long distance rate. They do not include, moreover, any of MTC's costs for transport between the CNMI and Guam, presumably on the new inter-island cable which it owns.<sup>1</sup> MTC, which has previously stated that it will charge itself the same rates on the cable which it sets for its competitors, has apparently ignored these costs completely from its calculations.

MTC's other proposed long distance rates are no less problematic. While time

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<sup>1</sup> As PCI has previously demonstrated, MTC's proposed rates on the inter-island cable are exorbitantly high and contravene the Commission's Rate Integration Order. See Petition of PCI Communications, Inc. to Reject or, in the Alternative, to Suspend and Investigate MTC Transmittal No. 132, filed July 14, 1997.

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constraints do not allow PCI to determine call termination rates for Hawaii (where MTC would presumably correspond with its parent GTE Hawaiian Telephone) and Alaska, it is highly unlikely that MTC's proposed off peak rates of \$0.17 per minute for those destinations are cost based in view of MTC's \$0.12 per minute call origination charge. Likewise, in order for MTC to recoup its costs for peak period calls to Guam, its per minute costs for transport on the inter-island cable or satellite would need to be no more than \$0.085-0.09 (\$0.27 less call origination and termination costs of \$0.18-0.185), a highly unlikely scenario given the high rates which MTC and COMSAT are charging for their respective facilities.

Based on the above, it is obvious that MTC's proposed rates take full advantage of the carrier's dominant position as the sole local exchange carrier serving the CNMI, and the sole owner of the inter-island cable, to drive its interexchange carrier competitors out of the market. It would also appear that MTC's non-compensatory rates may be subsidized by revenues from the operations of its GTE affiliates -- an option not available to island-based carriers like PCI. Such anticompetitive conduct plainly violates MTC's duties under Section 201 of the Act to charge "just and reasonable" rates and should not be countenanced.

MTC's Transmittal No. 133 also violates the requirements of the Rate Integration Order. MTC includes in its transmittal individual case basis half circuit rates for private line service to Hawaii and the U.S. mainland. Contrary to the requirements of the Rate Integration Order, however, these rates are not geographically averaged with MTC's other private line offerings and those of its GTE affiliates. 11 FCC Rcd at 9596-9599. Nor has

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MTC amended its tariff to include rate averaged charges for the inter-island cable. While MTC has previously argued that the principle of rate integration does not extend to private line services, this view is clearly contrary to the mandate of the Rate Integration Order. Id.

Finally, MTC's Transmittal No. 133 does not include rates for traffic between the CNMI and American Samoa. The omission of this route clearly contravenes the Commission's mandate in the Rate Integration Order.

#### CONCLUSION

For the foregoing reasons, PCI respectfully urges the Commission to reject, or suspend and investigate, the tariff revisions proposed by MTC in its Transmittal No. 133.

Respectfully submitted,

PCI COMMUNICATIONS, INC.

By:



Eric Fishman  
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July 24, 1997